SaskTel

SASKATCHEWAN TELECOMMUNICATIONS PENSION BOARD

76th Annual Report and Financial Statements

Year Ended December 31, 2003

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN

Lynn Archdekin, **Chairperson**
Larry Bolster, **Member**
Robert Hamilton, **Member**
Stacey Sandison, **Member**
Randy Stephanson, **Member**
Neil Banick, **Secretary**

To: All Contributors/Pensioners in the SaskTel Pension Plan

I am pleased to submit herewith extracts from the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2003 including the financial statements audited by the External Auditor.

Copies of the complete annual report are on file in the Pension Board office, 6th Floor, 2121 Saskatchewan Drive, Regina, Saskatchewan.

The overall rate of return for the Fund in 2003 was 11.3%. The war in Iraq, SARS, forest fires in British Columbia and drought across the prairies, did not shake investor's confidence. Since the first quarter of 2003, all sectors have experienced positive returns with the strong recovery in the equity markets. The bond market continued with positive returns in 2003.

The corporation, SaskTel, has the ultimate responsibility to ensure that pension benefits are paid. Effective January 1, 2003 SaskTel is contributing to the pension plan at a rate of 280% of employee contributions. This level of contributions by SaskTel will be in effect for the years 2003 and 2004. Funding contributions by SaskTel will be reviewed and revised if necessary upon completion of the next funding actuary study which is required as at December 31, 2004.

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call either Neil Banick at (306)777-8481 or Don Weir at (306)777-2550.

Sincerely,

Lynn Archdekin

Lynn Archdekin
Chairperson

March 29, 2004

PROVINCE OF SASKATCHEWAN
SEVENTY SIXTH ANNUAL REPORT OF THE
SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2003

PLAN MEMBERS AS AT DECEMBER 31, 2003

Employee Members	753
Retired Members	1,600
Total Members	2,353

SUMMARY OF ACTIVITY AFFECTING ALLOWANCES DURING 2003

Activity during 2003 that affected allowances was as follows: two female and two male pensioners died and their allowances were terminated, thirteen male pensioners died and allowances were granted to their widows and two children, one female pensioner died and allowances were granted to her widower, three widows died and their allowances were terminated.

SUMMARY OF REFUNDS AND TRANSFERS DURING 2003

Activity during 2003 which resulted in refunds and transfers in accordance with the Plan Text was as follows: two employees resigned voluntarily from the Pension Plan, one employee died and a refund was made to the estate and one employee transferred amounts to an ex-spouse.

	Contributions	Interest
Pension Fund - 4 cases	$364,443.94	$611,573.79

ASSUMPTIONS FOR FUNDING PURPOSES

Best estimate assumptions, for funding purposes, are a set of actuarial assumptions each of which reflects management's judgment of the most likely set of conditions affecting future events. Following are the significant best estimate assumptions used in the December 31, 2001 valuation to determine the actuarial value of accrued pension benefits:

Significant Assumption	Valuation as at Dec. 31, 2001	Valuation as at Dec. 31, 1998
Rate of Return on Assets	7.25%	7.25%
Inflation	3.00%	3.25%
Salary Escalation	3.00% - 2002 3.50% thereafter	3.00% - 1999, 2000 3.25% thereafter
Future Indexing	2.00%	1.95%

The mortality rate was applied utilizing the 1983 Group Annuity Mortality Table with mortality improvements projected to the year 2003.

PROVINCE OF SASKATCHEWAN
SEVENTY SIXTH ANNUAL REPORT OF THE
SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2003

ACCOUNTING AND FUNDING EXTRAPOLATIONS

The **Accrued Projected Benefit Method Prorated On Services** is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Ongoing Funding Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to Plan members.
Following is a comparative analysis of the Plan surplus (deficit) under the two methods:

Method	**2003 (Extrapolated)**	**2002 (Extrapolated)**	**2001 (Actuarial Valuation)**
		(Thousands of dollars)	
Projected Benefit Method	($97,409)	($118,208)	$ 7,942
Ongoing Funding Method	($94,864)	($ 66,770)	$ 487

PRESENT RETIREES AT THE END OF SEVENTY SIXTH YEAR PERIOD

	As At Dec. 31, 2003		Average Age	As At Dec. 31, 2002
Age limit	452	Males	72.16	412
	259	Females	74.10	244
*Optional	455	Males	58.42	509
retirement	221	Females	57.79	239
Dependants	199	Spouses	73.10	188
	5	Children	16.41	2
Split Pensions	0	Males	0	0
	9	Females	62.05	10
	1,600			1,604

*Optional retirements are re-classified as age limit when reaching age 65.

CUMULATIVE RETIREMENTS

May 1, 1928 to December 31, 2003

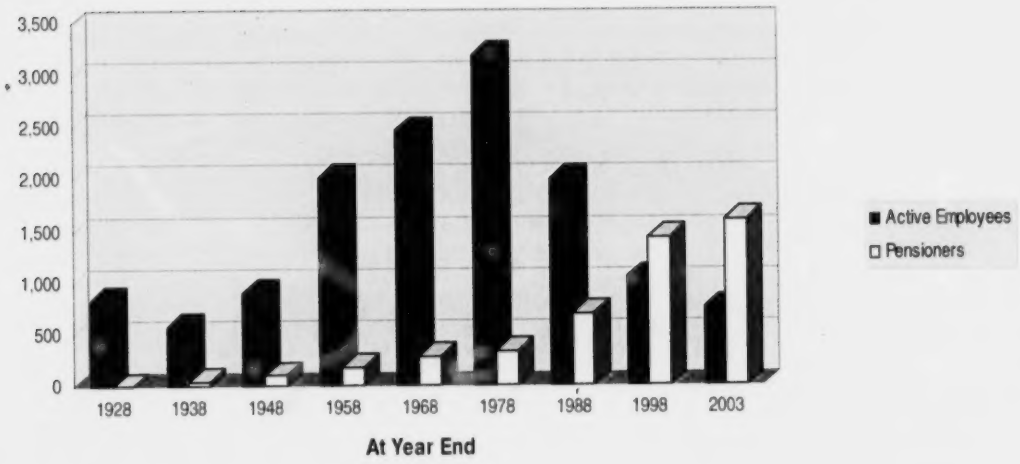
	Male	Female	Total
Age Limit	195	79	274
Optional Retirement	1,097	550	1,647
Ill Health	49	25	74
Ill Health Re-Employed			3
Widows/Widowers			349
Children			84
Split Pensions			10
	1,341	654	2,441

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2003

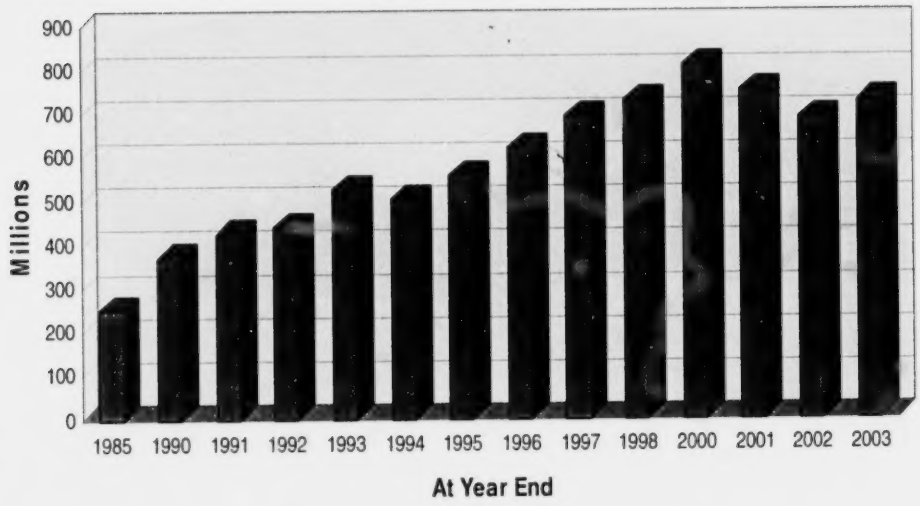
All employees have over 25 years of service.

	Male	Female	Total
Direct West Employees	-	8	8
IBM Employee	-	1	1
CIC Employee	-	1	1
CEP Employee	1	-	1
SaskTel Employees	517	225	742
	518	235	753

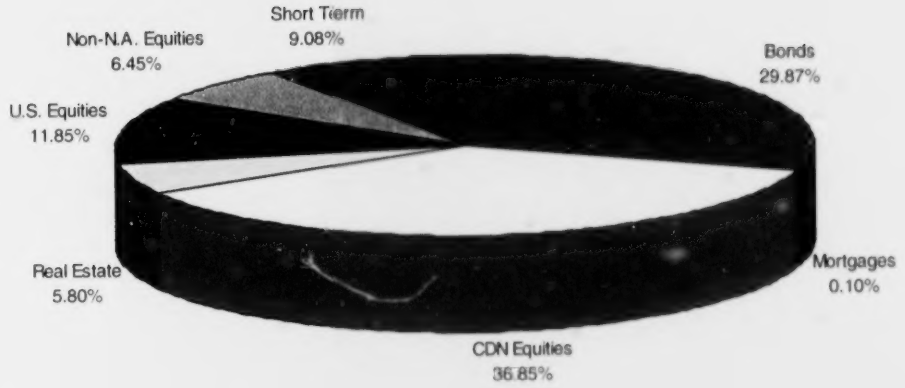
SaskTel Pension Plan Employees vs. Pensioners



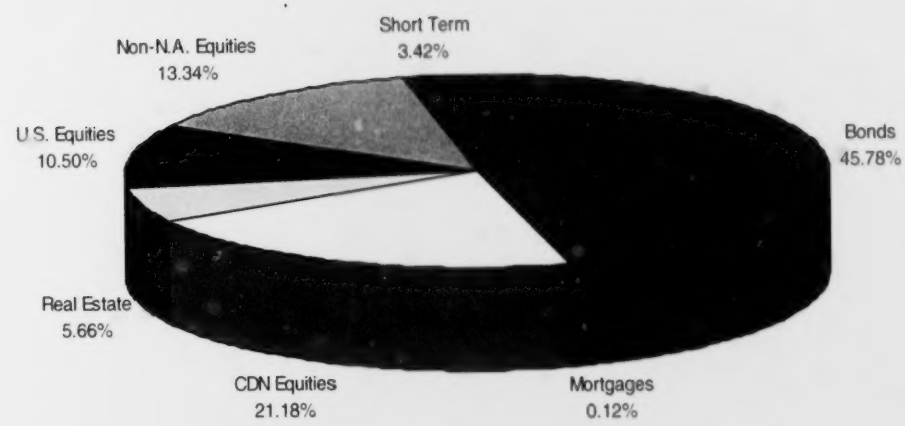
SaskTel Pension Plan Net Assets Available for Benefits



December 31, 2003



December 31, 2002



Saskatchewan Telecommunications Pension Plan
Management's Responsibility for
Financial Statements, Actuary's Opinion and Auditors' Report

104-05132/

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Telecommunications Pension Plan and all information in the annual report are the responsibility of the Plan management and have been approved by the Pension Board. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgement.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of the Fund has developed and continues to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Pension Board meets with management and with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by KPMG LLP, Chartered Accountants, who have full access to the Board, with and without the presence of management. Their report follows.

R Stephanson

Randy Stephanson
Chief Financial Officer

Neil Banick

Neil Banick
Administrator, SaskTel Pension Board

February 27, 2004

ACTUARY'S OPINION

Aon Consulting Inc. was retained by the Saskatchewan Telecommunications Pension Board (the "Board") to perform actuarial valuations of the assets and liabilities of the Saskatchewan Telecommunications Pension Plan (the "Plan") on an accounting basis as at December 31, 2001. Aon Consulting Inc. was further retained to prepare extrapolations of the valuation results to December 31, 2003 for inclusion in the Annual Report for the year ended December 31, 2003.

The valuation and extrapolation of the Plans' actuarial assets and liabilities were based on:

- Membership and asset data provided by the Board as at December 31, 2001;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon Consulting Inc. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plans' future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation and the extrapolation. We also believe that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuation and extrapolation have been performed in accordance with accepted actuarial practice.

David R. Larsen
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

Louis R. Martel
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

February 18, 2004

KPMG LLP
Chartered Accountants
2000 - 1881 Scarth Street
Regina SK S4P 4K9

Telephone (306) 791-1200
Telefax (306) 757-4703
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and deficit of Saskatchewan Telecommunications Pension Plan as at December 31, 2003 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2003 and the changes in net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

February 27, 2004

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND DEFICIT AS AT DECEMBER 31, 2003

	2003	2002
	(Thousands of dollars)	
ASSETS		
Cash	$ 0	$ 135
Accrued investment income	3,974	5,322
Contributions receivable		
Employee	5	198
Employer	10	0
Other	2	3
Investments (Note 4)	722,760	682,615
	726,751	688,273
LIABILITIES		
Bank indebtedness	117	0
Accounts payable	924	970
Deferred refunds – contributions and interest	916	176
	1,957	1,146
Net assets available for benefits (Statement 2)	724,794	687,127
Accrued pension benefits (Statement 3)	822,203	805,335
DEFICIT	$ (97,409)	$ (118,208)

(See accompanying notes to the financial statements)

Approved by the Pension Board

Lynn Archdekin – Chairperson

Stacey Sandison – Member

Larry Bolster – Member

Randy Stephanson – Member

Robert Hamilton – Member

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN

STATEMENT 2

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2003

	2003	2002
	(Thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	$ 687,127	$ 749,193
INCREASE IN ASSETS		
Investment income		
Bonds	16,515	19,890
Equities	5,815	5,866
Real estate	2,963	3,001
Short term	809	648
Mortgages	0	242
	26,102	29,647
Increase in market values of investments	46,655	0
Contributions		
Employers'	7,038	35
Employees' current and back contributions	2,565	2,578
	9,603	2,613
Total increase in assets	82,360	32,260
DECREASE IN ASSETS		
Benefits paid to pensioners and beneficiaries	42,189	43,205
Administration costs (Note 6)	1,528	1,931
Refunds and transfers		
Contributions	364	10
Interest	612	61
	976	71
Decrease in market values of investments	0	49,119
Total decrease in assets	44,693	94,326
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 724,794	$ 687,127

(See accompanying notes to the financial statements)

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN — STATEMENT 3

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2003

	2003	2002
	(Thousands of dollars)	
ACCRUED PENSION BENEFITS AT BEGINNING OF YEAR	$ 805,335	$ 695,134
Experience losses	0	46,117
ACCRUED PENSION BENEFITS ADJUSTED FOR ACTUARIAL VALUATION BEFORE THE UNDER NOTED	805,335	741,251
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	49,232	49,536
Benefits accrued	9,825	8,817
Impact of assumption changes	0	48,936
	59,057	107,289
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	42,189	43,205
	42,189	43,205
ACCRUED PENSION BENEFITS AT END OF YEAR	$ 822,203	$ 805,335

(See accompanying notes to the financial statements)

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 2003

1. Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

(a) General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. Effective January 1, 1999 the Plan is governed by the Pension Benefits Act, 1999 (the Act). Prior to January 1, 1999 the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992, registration #0360891, and is administered by a five person Board appointed by the Corporation and Union.

(b) Investments

Investment managers identified in note 6 have been engaged to invest Plan assets based on guidelines approved by the Pension Board. The objective of these investment guidelines is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio of Canadian and foreign equities and bonds, within the parameters prescribed under The Income Tax Act and The Pensions Benefits Act, 1992. Due to the long-term nature of the pension obligations and related cash flows, investment mix guidelines consider differences in the interest rate sensitivity of the Plan's assets and liabilities.

The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. No other type of investment is permitted without the prior approval of the Board.

(c) Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation of the Plan was performed as at December 31, 2001. The next valuation is required as at December 31, 2004.

Plan members are required to contribute to the Plan a percentage of their pensionable salary. They contribute 7%, 8% or 9% of salary depending on their age at the date of commencement of employment, less contributions to the Canadian Pension Plan.

The financial health of the Plan is guaranteed by the Corporation, which contributes the additional amounts necessary to properly fund payment of benefits to Plan members. Effective January 1, 2003 the Corporation resumed contributing to the Plan at a rate of 280% of employee contributions.

1. Description of the Plan (continued)

(d) Benefits

The Corporation guarantees the payment of the pension benefits payable under the terms of the pension plan as amended from time to time, including:

i) Service Pensions

The Plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years' pensionable earnings times the number of years of service up to the maximum allowed in accordance with the Income Tax Act. At age 65 members' pensions are reduced due to integration with the Canada Pension Plan.

A reduced pension may be opted for if certain age and years of service criteria are met.

Plan members may also elect to receive a joint annuity whereby a reduced pension is payable during the life of the member and/or the life of the spouse or dependents. When the plan member dies the spouse is entitled to receive a pension equal to 100% of the reduced pension.

If a member retires before age 65, the member may elect a varied allowance, whereby, an additional allowance is received until age 65 at which time the allowance will be reduced.

ii) Health Pensions

The Plan provides for early retirement when a member is permanently incapable, as declared by the Board, of performing his/her regular job duties.

iii) Survivors' Pensions

If a plan member dies after retiring, the surviving spouse receives 60% of the member's pension. Dependants under 18 receive 10%, to a maximum of 25% for all dependants combined.

iv) Death Refunds

A death refund is payable to the estate or designated beneficiary of a pensioner, in an amount equal to the difference between the pensioner's accumulated contributions and interest less the total sum of all allowances paid.

(e) Refunds and Transfers

Upon ceasing employment with the Corporation, plan members may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer accumulated contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan as permitted by the Act. Legislation passed in 1993 allows Plan members, upon ceasing employment, to transfer their contributions with interest, together with a matching company portion to the Public Employees Pension Plan.

(f) Income Taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

2. Authority

The Plan is continued pursuant to the provisions of the Pension Benefits Act, 1992. Contributions and investment earnings are accumulated in the pension fund for the purpose of providing pensions to the contributing members of the Plan.

Employees transferred to IBM, DirectWest Publishers Ltd. (DirectWest) and Crown Investments Corporation of Saskatchewan (CIC) continue to participate in the Plan as per the Plan Text.

3. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

(a) Basis of Accounting

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Investments

Investments are stated in the financial statements at market value, which approximates fair value. Bonds, pooled funds and equities are recorded at market values, which are determined with reference to year-end prices from recognized securities dealers. Market values for mortgages are computed using yield to maturity calculations. Real estate investments are valued at market based on independent appraisals. Short term investments are valued at cost, which approximates market value. Transactions are recorded as of the trade date.

(c) Increase/Decrease in Market Value of Investments

The change in market value reflects the current year's realized and unrealized gains and losses on investments.

(d) Translation of Foreign Currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

4. Investments

The Fund has the following investments:

	2003 ($000)	2002
Bonds	$ 144,600	$ 179,969
Pooled bond fund	71,346	132,544
Canadian equities	164,551	113,717
Canadian pooled equity funds	101,736	30,872
US equities	59,103	46,488
Non-NA pooled equity funds	46,584	91,068
Real estate	41,953	38,602
US pooled equity fund	26,508	25,202
Mortgages	724	832
Short term investments	65,655	23,321
Total Investments	$ 722,760	$ 682,615

Bonds

The Plan's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio. As at December 31, 2003, the Fund held 0% (2002 - 2.5%) in BBB bonds.

	2003			2002		
	Market Value ($000)	Weighted Average Yield (%) to Maturity at Market	Average Years to Maturity	Market Value	Weighted Average Yield (%) to Maturity at Market	Average Years to Maturity
Government of Canada	$ 57,346	5.66	25	$ 95,249	4.77	11
Province of Saskatchewan	3,768	5.70	24	3,633	5.44	18
Other Provincial	54,550	5.68	28	39,385	5.68	13
Municipal	2,027	5.80	30			
Corporate	26,909	6.19	22	41,702	5.89	9
Total	$ 144,600	5.81	26	$ 179,969	5.45	13

4. Investments (continued)

Mortgages

Investments in mortgages consist of Canadian commercial property.

Real Estate

Investments in real estate consist of Canadian commercial property.

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager's portfolio. At December 31, 2003, 7.5% (2002 - 8.1%) was the largest individual holding.

Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any corporation. At December 31, 2003, 0.1% (2002 - 0.1%) was the largest individual holding.

Foreign equities including foreign pooled funds are limited to 30% of the cost of the investment portfolio and are denominated in Canadian dollars. Foreign equities represent 20.8% (2002 - 27.8%) of the cost of the Fund.

Short Term Investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 2.6% to 2.8% (2002 – 2.6% to 2.9%) and an average term to maturity of 79 (2002 - 69) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-2" as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 13.7% (2002 – 11.1%) of the market value of the short-term investment portfolio.

5. Accrued Pension Benefits

The present value of accrued pension benefits was determined using the accrued projected benefit method pro rated on services. An actuarial valuation was performed at December 31, 2001 by AON Consulting, a firm of consulting actuaries and extrapolated to December 31, 2003. An actuarial valuation is an assessment of the financial status of a pension plan. It consists of the valuation of assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the terms of the plan.

Accrued pension benefits are sensitive to changes in the rate of return on assets, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Board applies best estimate assumptions on these and other future economic events. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimates.

5. Accrued Pension Benefits (continued)

Following are the significant assumptions used to determine the actuarial present value of accrued pension benefits as at December 31:

Significant Assumption	2003	2002
Discount Rate	6.20%	6.20%
Inflation	2.20%	2.20%
Salary Escalation	2.20%	2.20%
Future Indexing	2.00%	2.00%

The following illustrates the effect on the Plan deficit of changing certain actuarial assumptions:

	Long - Term Assumptions						
	Discount Rate		Inflation		Salary Escalation		Future Indexing
	5.20%	7.20%	1.20%	3.20%	1.20%	3.20%	1.0%
(Thousands of dollars)							
Increase (decrease) in liability	$111,166	($90,455)	$21,314	($79,942)	($12,039)	$12,685	($62,600)

The Plan Text guarantees future indexing at 100% of CPI to a maximum of 2%. Therefore the impact of future indexing at a rate higher than 2% is not applicable.

The mortality rate was applied utilizing the 1983 Group Annuity Mortality Table with mortality improvements projected to the year 2003.

The pension liability is long term in nature. There is no ready market for settling the pension obligation and the Plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of the pension liability is not practical.

6. Administration Costs

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan. Other direct out of pocket expenses including custodial, investment manager and consulting fees are paid by the Plan. The costs to administer the Plan (staff salaries, actuarial and auditor costs) are also borne by the Plan and are reflected in the accompanying financial statements. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

Royal Trust

As the custodian of the pension fund assets, Royal Trust performed the processing and handling of investment transactions.

James P. Marshall, Inc.

The consultant to the Board provided analytical and financial advice.

Greystone Capital Management Inc.
Beutel Goodman & Company Ltd.
TD Quantitative Capital (TDQC)

6. Administration Costs (continued)

The investment managers managed the investing and disposing of Plan assets. Greystone has a balanced mandate. Beutel has a specialty Canadian equity mandate. TDQC has a bond and US equities Index mandate and Non-North American equity mandate. A new investment manager will be hired prior to June 30, 2004 to manage the Non-North American equity and Emerging Market mandate.

7. Investment Performance

The investment manager makes the day to day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The investment performance objectives, set by the board, consist of the following market index returns weighted as indicated:

Asset Class	Market Index	2003	2002
Canadian Equities	S&P/TSE Composite Index	24%	17%
US Equities	Standard & Poors 500 US Stock Index	14%	15%
Non-North American Equities	Morgan Stanley Capital International Europe Australia Far East Index	14%	15%
Emerging Markets	Morgan Stanley Capital International Emerging Markets Free	2%	-
Real Estate	Investment Property Databank	7%	4%
Bonds	Scotia Capital Long Bond Index	20%	44%
Bonds	Scotia Capital Real Return Bond Index	10%	-
Short Term Investments	91 Day Canadian Treasury Bills	9%	5%
Total		100%	100%

The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4-year periods. For the four years ending December 31, 2003, the Fund had an annualized gross rate of return of 5.0%. The investment benchmark for this four-year period was 3.1%.

The rate of return generated by the Fund in 2003 was 11.3%, the investment benchmark was 11.2%.

8. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government.

The Plan holds an investment in SaskPen Properties Ltd. of $3,594,486 (2002 - $3,813,324). Income and market value adjustment totaled $321,940 (2002 - $300,494).

The Plan holds Province of Saskatchewan bonds with a total face value of $3,384,000 (2002 - $3,520,000) and a total market value of $3,768,277 (2002 - $3,632,599). Income totaled $198,281 (2002 - $222,423).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

During the year the Plan paid $200,000 (2002 - $196,000) to the Corporation for administration fees.

9. Financial Instruments

The Plan's assets are not invested directly in currency futures, financial futures or other derivatives, and no hedging activities are conducted directly by the Pension Plan. Such derivative instruments are used occasionally with the Emerging Market and Non-North American Funds, which are pooled equity funds, administered by an investment manager with no recourse to the Plan itself. For financial instruments including cash, accrued investment income, contributions receivable, bank indebtedness, accounts payable and deferred refunds, cost approximates fair value due to their immediate or short term maturity. The fair value of investments is described in note 3(b) and the fair value of the accrued pension benefit is described in note 5.

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN

SCHEDULE 1

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS FROM THE PERIOD MAY 1, 1928 TO DECEMBER 31, 2003

CUMULATIVE INCREASE IN ASSETS

		(Thousands of dollars)
Investment income		$ 663,997
Cumulative increase in market value of investments		348,293
Contributions		
Employers'		146,027
Employees' - Active	$ 43,818	
- Retired, deferred	58,160	
- Resigned	14,929	
- Transferred	649	117,556
Early and enhanced retirement adjustments		19,450
Employer withdrawal		(34,200)
Employees' interest on back contributions		726
		1,261,848

CUMULATIVE DECREASE IN ASSETS

Benefits paid to pensioners and beneficiaries	507,186	
Refund of employees' contributions	11,848	
Interest on refunded employees' contributions	3,691	
Transfer of contributions	7,364	
Transfer of interest on contributions	6,820	
Supplementary retirement payments to employees not eligible for pension	93	
Death benefits (matching amount)	36	
Interest on employee's savings plan	17	537,055

NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 2003

$ 724,794